

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON ENERGY AND
ENVIRONMENTAL PROTECTION
ON
HOUSE BILL NO. 1509

February 10, 2015

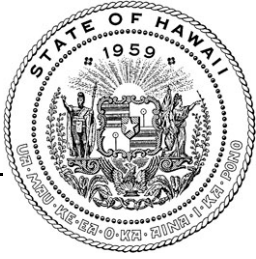
RELATING TO ENERGY

House Bill No. 1509 requires the University of Hawaii (UH) to establish a goal of becoming net-zero regarding energy use by January 1, 2035. It is the intent of the bill to reduce energy costs and allow the University to address the backlog of deferred maintenance projects. The bill creates the UH Net-Zero Special Fund that would generate revenues through legislative appropriations, energy consumption savings, and other sources. The special fund would be used for net-zero related capital improvements program projects and student scholarships. The bill appropriates \$45,500,000 in general funds for FY 2016 and FY 2017 for deposit into the special fund and \$45,500,000 in special funds for FY 2016 for energy retrofit projects at UH Manoa and UH Hilo. The bill also appropriates \$150,000 in general funds for FY 2016 and FY 2017 to pay for two positions to provide financial and technical support for UH's net-zero efforts.

While the Department of Budget and Finance understands the importance of becoming energy efficient, as a matter of general policy, the department does not support the creation of special funds that do not meet the requirements of Section 37-52.3, HRS. Special funds should: 1) serve a need as demonstrated by the purpose, scope of work and an explanation why the program cannot be

implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining. In regards to this bill, there does not appear to be a clear nexus between net-zero energy cost savings and funding of student scholarships.

Given the recent Council on Revenues general fund projections, the department has concerns regarding appropriating \$45.5 million in general funds in each fiscal year and the negative impact on the general fund financial plan.



DAVID Y. IGE
GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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Statement of
LUIS P. SALAVERIA
Director
Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION

Tuesday, February 10, 2015
8:30 a.m.
State Capitol, Conference Room 325

in consideration of
HB 1509 Proposed HD1
RELATING TO ENERGY.

Chair Lee, Vice Chair Lowen, and Members of the Committee.

The Department of Business, Economic Development & Tourism (DBEDT) offers testimony in support of HB 1509 Proposed HD1 with requested amendments, which establishes a University of Hawaii (UH) collective goal of becoming Net-Zero with respect to energy use by 2035 and establishes a Special Fund for the purpose. It further appropriates from the Special Fund monies for capital improvement projects and supporting staff to fulfill the goal.

DBEDT supports the purpose of this legislation as it is consistent with the State's overall clean energy objectives. The Department is also supportive of partially financing the upgrades toward the achievement of UH's Net Zero objectives through matching funds, such as from the Green Infrastructure Loan Program (GEMS Program), where appropriate and within GEMS Program parameters. The GEMS Program has a responsibility to utilize GEMS Program funds prudently and efficiently in order to create a self-sufficient financing program. The GEMS Program must reserve the right to both be flexible in the allocation of funds and use discretion when evaluating distribution of the funds, in order to quickly distribute money that supports economically viable projects while ensuring portfolio diversification and offsetting risk. Therefore, DBEDT appreciates the language in the measure that allows the GEMS Program to continue to take a market-based approach to

approving financing for projects, and for consistency, **recommends the reference on page 7 line16 and page 8, lines 3, 12, and 19 be amended to reflect this flexibility to read: 304A-B(b)(2)(A).**

DBEDT encourages UH to discuss business plans for energy upgrades with the GEMS Program in order to determine their ability to use GEMS funds. DBEDT defers to the University of Hawaii on the implementation of this measure.

Thank you for the opportunity to offer this testimony in support of HB 1509 Proposed HD1 with requested amendments.



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
House Committee on Energy & Environmental Protection
February 10, 2015 at 8:30 a.m.

by
Jan Gouveia
Vice President for Administration
University of Hawai'i System

HB 1509 Proposed HD 1 – RELATING TO ENERGY

Chair Lee, Vice Chair Lowen, and Members of the Committee:

The University of Hawai'i generally supports HB 1509 Proposed HD1, which seeks to establish a special fund to fund both net-zero energy efficiency projects and deferred maintenance projects throughout the University system, through the energy savings of such projects.

At a high level, this bill appropriates an initial amount of general funds and authorizes the University to secure third-party financing to design and construct specific deferred maintenance projects at its Manoa campus and Hilo campus; any energy savings associated with these projects get deposited into the net-zero special fund, after debt service is paid; and expenditures out of the fund are equally divided between scholarships and future energy savings projects or deferred maintenance.

The bill specifically provides that any debt service incurred by the University for these projects shall not exceed the projected energy savings.

The University faces significant challenges with both high energy expenses and an escalating backlog of deferred capital maintenance. As such, we generally support HB 1509 HD1 because it provides much needed general fund capital to partly address some of the deferred maintenance projects on our campuses.

However, we are still evaluating the benefits to the financing model set forth in the bill. For example, we are reviewing the language in 304A-B(c), which defines the formula for calculating the energy savings that gets deposited into the special fund. More specifically, we would like to ensure that adequate safeguards are in place to protect the University from actually experiencing annual energy savings that are less than the cost of financing.

Furthermore, given the level of capital funding shortfall at Manoa for meeting all of its competing needs, any operational savings that are derived from lowered utility costs would likely be consumed by other operational needs that are similarly dire. While requiring the energy savings to be used for scholarships or other energy savings/deferred maintenance projects is rational, it could create a constraint on flexibility of the campus to meet near-term fiscal shortages. The bill could improve the overall condition of the University if that

flexibility could be incorporated into the bill by, for example, replacing the term “shall” with “may” in Section 304A-B(c).

Finally, from a technical standpoint, we question whether the bill creates a special fund that is sustainable. Hawai'i Revised Statutes, Section 37-52.3(4) requires that special funds demonstrate the capacity to be financially self-sustaining. The University has not yet been able to establish a model that shows the fund to be self-sustaining over time.

In closing, the University generally supports the purpose and intent of HB 1509 Proposed HD1. We look forward to working out the details of the financing model, and any related project figures, with the committee.

EEPttestimony

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, February 08, 2015 2:10 PM
To: EEPttestimony
Cc: aprimer@hawaii.edu
Subject: Submitted testimony for HB1509 on Feb 10, 2015 08:30AM

HB1509

Submitted on: 2/8/2015

Testimony for EEP on Feb 10, 2015 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
anthony primer	Sustainable UH	Support	No

Comments: I support HB1509 as a student at UHM in the hopes of lessening the burden we bear due to a lack of efficient and renewable technologies.

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HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION

February 10, 2015, 8:30 A.M., Room 325

(Testimony is 1 page long)

TESTIMONY IN SUPPORT OF HB 1509 PROPOSED HD 1

Chair Lee, Vice-Chair Lowen, and members of the Committee:

The Blue Planet Foundation supports HB 1509, establishing an energy vision for the University of Hawai'i system. We particularly applaud the recognition that achieving this goal can help to prevent energy-related tuition increases, and can help to unlock savings to fund needed infrastructure improvements and student scholarships. By combining energy efficiency with mechanisms such as green energy market securitization, the proposed plan can engineer win-win clean energy solutions.

However, we also believe that these changes at UH are urgent. The school, students, and the state cannot afford to wait until 2035 to achieve the vision set out in HB 1509. By making UH campuses a shining star of energy innovation, UH can lead the way in making the entire state of Hawai'i a "net zero" energy producer. In this leadership role, we believe that a nearer-term target is necessary. Through solutions such as scaled-up campus solar generation, participation in off-campus community renewables programs, new energy storage installations, campus-focused demand response programs, and backup power with locally produced biodiesel, U.H. could achieve these energy goals by 2023 or earlier.

To this end, we respectfully request that the bill be amended to establish a policy that replaces the 2035 target with a much more urgent timeline. In addition, we note that the rest of Hawai'i also requires an energy vision. *Thus, we ask the legislature to establish a 100% renewable portfolio standard.* HB 623 proposes a 100% clean energy target for the state, and we believe that the bill should be passed to ensure that the state reaches this target by 2040 or earlier.

Thank you for this opportunity to testify.

EEPttestimony

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, February 08, 2015 4:01 PM
To: EEPttestimony
Cc: ahuntemer@aol.com
Subject: Submitted testimony for HB1509 on Feb 10, 2015 08:30AM

HB1509

Submitted on: 2/8/2015

Testimony for EEP on Feb 10, 2015 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Angela Huntemer	Individual	Support	No

Comments: Aloha Chair Lee, Vice Chair Lowen and Committee Members. As an alumni of The University of Hawaii at Manoa and mother of two teenage sons I am in strong support of HB1509. This bill gives our university system the opportunity to incorporate 21 century technology, engineering, architecture and design into buildings which will in turn lead to savings for the state. It is a win win proposition. Thank you for the opportunity to testify.

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EEPttestimony

From: mailinglist@capitol.hawaii.gov
Sent: Friday, February 06, 2015 1:05 PM
To: EEPtestimony
Cc: carl.campagna@kamakagreen.com
Subject: Submitted testimony for HB1509 on Feb 10, 2015 08:30AM

HB1509

Submitted on: 2/6/2015

Testimony for EEP on Feb 10, 2015 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Carl Campagna	Individual	Support	No

Comments: I am in support of the bill as it is vital to our State and the institutions therein to reduce our dependency on imported fossil fuels. In addition, it is my hope that this bill can help lead the way to more affordable tuition rates as well as alleviate some taxpayer burden.

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EEPttestimony

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, February 08, 2015 2:07 PM
To: EEPtestimony
Cc: mryan603@hawaii.edu
Subject: Submitted testimony for HB1509 on Feb 10, 2015 08:30AM

HB1509

Submitted on: 2/8/2015

Testimony for EEP on Feb 10, 2015 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Mark Ryan	Individual	Support	No

Comments: Dear Chair Lee and Committee members, My name is Mark Ryan and I support HB 1509 because I am a student at UH Manoa and I care about the future of our University. I believe that interest in our energy future is important and that a net-zero future will help lower the pressing financial burden on the students to pay for the energy costs of our University. Thank you for your time, Mark Ryan, Student UH Manoa

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EEPttestimony

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 09, 2015 1:00 AM
To: EEPtestimony
Cc: rbergstrom@surfrider.org
Subject: Submitted testimony for HB1509 on Feb 10, 2015 08:30AM

HB1509

Submitted on: 2/9/2015

Testimony for EEP on Feb 10, 2015 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Rafael Bergstrom	Individual	Support	No

Comments: Aloha EEP Committee, I am in strong support of HB1509. University of Hawaii currently spends tens of millions on electric bills due in part to the high cost of fuel on the islands. We have the technology and ability to make the UH campuses stop this trend and become leaders in sustainability and clean energy nationally. This is an amazing step in a more self-sufficient island model that will make our State a leader in renewable economies. Please consider passing this important bill and be a part of pushing our island community to become a cleaner, more environmentally responsible model for the world.

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EEPttestimony

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 09, 2015 7:33 AM
To: EEPtestimony
Cc: jsuguita@hawaii.edu
Subject: Submitted testimony for HB1509 on Feb 10, 2015 08:30AM

HB1509

Submitted on: 2/9/2015

Testimony for EEP on Feb 10, 2015 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Sugki J. Suguitan	Individual	Support	No

Comments: Aloha. My name is Sugki J. Suguitan and as a lifetime resident of Hawaii and student at U.h. Manoa I would like to submit testimony in support of HB1509. The benefits are manifold financially environmentally and morally. HN1509 set goals and a precedent that will allow for hope, greater opportunity, and, a brighter future. Thank you very much. Sugki J. Suguitan

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EEPttestimony

From: mailinglist@capitol.hawaii.gov
Sent: Saturday, February 07, 2015 1:46 PM
To: EEPtestimony
Cc: zacharyhitchcock@yahoo.com
Subject: Submitted testimony for HB1509 on Feb 10, 2015 08:30AM

HB1509

Submitted on: 2/7/2015

Testimony for EEP on Feb 10, 2015 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Zachary Hitchcock	Individual	Support	No

Comments: Zachary Hitchcock, Chairman, Surfrider Foundation, Oahu Chapter 1533 Artesian Way Honolulu, HI 96822 Dear Legislature, The University of Hawaii is a model institution that must exemplify the values of modern innovation. Proposing a self sustaining campus will benefit the institution, the community, the faculty, staff and students. Campuses that function in harmony with the environment and can sustain itself through modern innovation will benefit the communities around them and present a model for future progress. Please, consider this bill to take a positive step towards the future. Sincerely, Zachary Hitchcock 808-222-6960

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EEPTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 09, 2015 8:33 AM
To: EEPTestimony
Cc: antolinid@gmail.com
Subject: Submitted testimony for HB1509 on Feb 10, 2015 08:30AM

HB1509

Submitted on: 2/9/2015

Testimony for EEP on Feb 10, 2015 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Denise Antolini	Individual	Support	Yes

Comments: Dear Chair Lee, Vice Chair Lowen, and Members of the Committee, I write in STRONG SUPPORT of HB1509. I am the Associate Dean for Academic Affairs at the William S. Richardson School of Law where my kuleana includes facilities issues; I have also practiced and taught environmental law in Hawaii for 25 years. However, I am writing this testimony in my individual capacity. This bill is a "big idea" whose times has come. The University should be leading the way for campus sustainability. Currently, UH students and the this approach is unacceptable as a matter of economic and environmental sustainability. The beauty of the bill is the alignment of incentives of financing, CIP improvements, and student financial aid. By giving UH and its students, faculty, and staff the capacity, incentive, and vision for the long-term, with strong targets, the University's ability to plan, innovate, and move forward is supported. Please vote in favor and keep this innovative bill moving. Thank you for the opportunity to testify.

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TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION
ON
HOUSE BILL NO. 1509, PROPOSED H.D. 1

February 10, 2015

RELATING TO ENERGY

House Bill No. 1509, Proposed, H.D. 1, requires the University of Hawaii (UH) to establish a goal of becoming net-zero regarding energy use by January 1, 2035. It is the intent of the bill to reduce energy costs preventing energy-related tuition increases and aggregating energy efficiency and deferred maintenance projects to save capital improvement funding. The bill creates the UH Net-Zero Special Fund that would generate revenues through legislative appropriations, energy consumption savings, and other sources. The special fund would be used for net-zero related capital improvements program projects and student scholarships. The bill appropriates \$45,500,000 in general funds for FY 16 and FY 17 for deposit into the special fund and \$45,500,000 in special funds for FY 16 for energy retrofit projects at UH Manoa and UH Hilo. The bill also appropriates \$150,000 in general funds for FY 16 and FY 17 to pay for two positions to provide financial and technical support for UH's net-zero efforts.

While the Department of Budget and Finance understands the importance of becoming energy efficient, as a matter of general policy, the department does not support the creation of special funds which do not meet the requirements of Section 37-52.3, HRS. Special funds should: 1) serve a need as demonstrated by the purpose, scope of work and an explanation why the program cannot be implemented

successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining. In regards to this bill, there does not appear to be a clear nexus between net-zero energy and cost savings and funding of student scholarships.

The department would also like to point out that the \$45,500,000 in general fund appropriation for FY 16 and FY 17 is not factored into the current general fund financial plan.



House Committee on Energy & Environmental Protection
Tuesday, February 10, 2015
8:30 a.m.

HB 1509, HD1 (Proposed), Relating to Energy.

Dear Chairman Lee and Committee Members:

The University of Hawaii Professional Assembly enthusiastically supports passage of this bill as a creative way to address energy needs of the University of Hawaii and the renovation of its deteriorating buildings and infrastructure. This has never been a greater win-win situation for the University for its cause and independence.

Respectively submitted,

A handwritten signature in black ink, appearing to read 'J.N. Musto'.

J.N. Musto, Ph.D.
Executive Director

**UNIVERSITY OF HAWAII
PROFESSIONAL ASSEMBLY**

1017 Palm Drive • Honolulu, Hawaii 96814-1928
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lowen2-Thomas

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 09, 2015 11:48 PM
To: EEPtestimony
Cc: kalawaiag@hotmail.com
Subject: *Submitted testimony for HB1509 on Feb 10, 2015 08:30AM*

HB1509

Submitted on: 2/9/2015

Testimony for EEP on Feb 10, 2015 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Kalawai'a Goo	Individual	Support	No

Comments:

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lowen2-Thomas

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To: EEPtestimony
Cc: rawlinsk@hawaii.edu
Subject: *Submitted testimony for HB1509 on Feb 10, 2015 08:30AM*

HB1509

Submitted on: 2/9/2015

Testimony for EEP on Feb 10, 2015 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
KEANI RAWLINS-FERNANDEZ	Individual	Support	No

Comments:

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